

Message Text

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PAGE 01 MANILA 05849 171313Z

47

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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P 171000Z MAY 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3577

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E.O. 11652: N/A

TAGS: EGEN, ETRN, US, RP

SUBJECT: CIVAIR -BILATERAL NEGOTIATIONS

REF: STATE 100127

1. EMBASSY SHARES FULLY THE LONG TERM OBJECTIVE CITED
REFTEL OF ACHIEVING A US/RP AIR TRANSPORT AGREEMENT

WHICH SETS AN IMPROVED AND ENDURING ENVIRONMENT FOR THE
OPERATION OF US CARRIERS TO AND THROUGH THE PHILIPPINES.
WE SUBSCRIBE, THEREFORE, TO A STRATEGY OF SEEKING IN
THE FIRST INSTANCE THE MOST ADVANTAGEOUS OF THE AVAILABLE OPTIONS,
ASSUMING THAT AS INDICATED OUR 5481 WE EXPECT
GOP TO AVOID COMMITMENT TO ANY AUTOMATIC ONSET OF BERMUDA-
LIKE REGIME.

2. IN THAT LIGHT, WE BELIEVE THE THREE OPTIONS AS FORMULATED
REFTEL ARE TOO BERMUDA-LIKE IN OUTLOOK TO BE VIEWED BY THE
FILIPINOS AS OPTIONS GENUINELY SHORT OF BERMUDA. THUS A
HIGH FILIPINO RESISTANCE TO THEM AS GIVEN IS PRACTICALLY
ASSURED, AND OTHER CHOICES OBVIOUSLY ARE NEEDED.

3. AT THE LEAST, WE FEEL A VARIANT OF OPTION A SHOULD BE
CONSIDERED, IN THE EVENT GOP AMENABLE TO DISCUSSING
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PAGE 02 MANILA 05849 171313Z

SERIOUSLY THE LONG TERM REGIME. KEY TO THE PROPOSAL IS A

MORE EXTENDED PERIOD OF REGULATED CAPACITY REGIME, AT MINIMUM TWO, PROBBALY THREE YEARS. AT THE END OF THIS PERIOD THE GOP PROBABLY WOULD ACCEPT CONSULTATIONS TO DETERMINE WHETHER (A) THE REGULATED CAPACITY REGIME SHOULD BE EXTENDED FOR A FURTHER PERIOD OR (B) THE FOLLOW ON ARRANGEMENT IN OPTION A COULD BE ADOPTED. EVEN TAKING THE 1972 GOP INDICATION INTO ACCOUNT, IT IS DOUBTFUL THAT DEVELOPMENTS, INCLUDING,INTER ALIA, ROMUALDEZ REFLECTIONS ON BERMUDA IN THE PERIOD SINCE THE LAST TALKS, WOULD LEAD HIM TO ACCEPT ANYTHING LIKE AN AUTOMATIC MOVE TO THE OPTION A OR SIMILAR FOLLOWON SCHEME.

4. WE WOULD NOT PROPOSE THAT THE FOREGOING BE CONSIDERED AS A SINGLE ALTERNATE TO MINI PACKAGES, NOR THAT WE FALL READILY TO MORE TRADING ON CAPACITIES, BUT THAT WE ADOPT A FLEXIBLE AND OPEN-MINDED APPROACH IN THESE TALKS TO FINDING, THIS TIME, A BASIS FOR SIGNIFICANT IMPROVEMENT IN THE PRESENT STRAITJACKETED ENVIRONMENT. WE CERTAINLY AGREE THAT AS A COMBINATION OF OUR INVOKING PART 213 IN A TIMELY WAY AND OF PHIL INTEREST IN INTRODUCING DC-10'S, THERE IS A BETTER CHANCE OF SOME CONSTRUCTIVE OUTCOME. WHEN THE CHIPS ARE DOWN, HOWEVER, WE DO NOT SEE THAT THE WHOLE RANGE OF US INTERESTS INVOLVED WILL BE SERVED BY A PREDISPOSITION TO DISMISS OUT OF HAND THE MINIMUM PROSPECT FOR ADVANCES IN THE CAPACITY REGIME, NOR DO WE WELCOME THE INDICATION REFTEL THAT OUR TEAM, WHEN IT COMES, WILL BE DUG IN WITH PROPOSALS WHICH ON MAIN POINTS ARE PREDICTABLY UNACCEPTABLE TO GOP.

5. THE "ACTIVE OPPOSITION" OF CAB AND CARRIER HEADQUARTERS TO THE INTERMEDIATE PROGRESS REPRESENTED BY A MINI-PACKAGE REGIME IS VERY DIFFICULT TO COMPREHEND IF THE ALTERNATIVES ARE A CONTINUATION OF THE CURRENT SITUATION OR A COMPLETE BREAKDOWN WHICH WOULD BE REPRESENTED BY FINAL ACTION UNDER PART 213. WE UNDERSTAND THE THEOLOGICAL REASONS FOR ASPIRING TO A COMPLETE BERMUDA REGIME, AND WE ASSUME THAT, WHEN PHILIPPINES ACHIEVES COMPETITIVE POSITION IN EQUIPMENT AND OTHER FACILITIES, IT WILL BE PREPARED RISK SUCH A REGIME. HOWEVER, IN VIEW OF PAST PHILIPPINE EXPERIENCE IN BEING OVERWHELMED BY SUPERIOR U.S. LIMITED OFFICIAL USE

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PAGE 03 MANILA 05849 171313Z

AIRLINE COMPETITIVE POSITION, THEY WILL BE UNDERSTANDABLY CAUTIOUS IN COMMITTING THEMSELVES TO WIDE-OPEN REGIME UNTIL THEY CAN TEST MORE LIMITED SYSTEM THROUGH EXPERIENCE. IT WOULD SEEM THE COURSE OF WISDOM FOR "CAB AND CARRIER HEADQUARTERS" TO ACCEPT A TEMPORARY HALF-LOAF SITUATION WHICH IS BETTER THAN THE TWO FORESEEABLE ALTERNATIVES RATHER THAN HOLD OUT FOR AN IDEAL WHICH WILL IN NO RPT NO WAY BE COMPROMISED BY THE MINI-PACKAGE.

6. IF THE MINI-PACKAGE IS PUT INTO EFFECT, IT WOULD NOT
RPT NOT GIVE THE PHILIPPINES EXCLUSIVELY "EFFECTIVE CONTROL"
OVER THE LEVEL OF SERVICES, SINCE THERE WOULD OBVIOUSLY BE
RECIPROCITY INVOLVED WHICH WOULD GIVE U.S.
CONTROL OVER LEVEL OF PHIL SERVICES TO U.S. TERRITORY. MUCH AS
THIS TEMPORARY "MATCHING GAME" MIGHT VIOLATE
THEOLOGICAL PRECEPTS OF BERMUDA NIRVANA, IT MIGHT BE THE ONLY VEHICLE
THROUGH
WHICH ENLIGHTENMENT CAN BE ACHIEVED. IF TOURISM
EXPANDS AND PRESSURE FOR ADDITIONAL SERVICE GROWS, PHILS ARE
ALMOST CERTAIN TO ACQUIRE ADDITIONAL WIDE-BODIED AIRCRAFT AND
SEEK ADDITIONAL ROUTES AND FREQUENCIES.
THIS WOULD MEAN THAT OUR CURRENT NEGOTIATING OPPORTUNITY IS NOT
AN EVANESCENT ONE-SHOT AFFAIR BUT VERY LIKELY TO
BE REPEATED IN THE NOT-TOO-
DISTANT FUTURE, AT WHICH TIME THE MORE DISTANT FEATURES OF
YOUR DESIDERATA CAN BE PURSUED. WE THEREFORE PRAY NOT ONLY
FOR WISDOM BUT TOLERANCE IN THE WASHINGTON ASGRAM.
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